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SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 11 May 2000, at 10 a.m.

President: Mr. ORTIZ (Spain)

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The meeting was called to order at 10.15 a.m.

FINANCING THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES (IDB.22/2 and Corr.1 and Add.1, IDB.22/3, IDB.22/4)

FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS (IDB.22/8; IDB.22/CRP.4)

IMPLEMENTATION OF THE INTEGRATED PROGRAMMES (IDB.22/2 and Corr.1 and Add.1, IDB.22/7 and Corr.1 and 2; IDB.22/CRP.3)

1. **Mr. FREEMAN** (United Kingdom) said that he wished first to raise a procedural question, and to reaffirm the importance which his delegation attached to genuine dialogue among the members of the Industrial Development Board and between them and the Secretariat. The Board might wish to consider whether it allotted too much time to the delivery of general statements. In the interests of UNIDO and of the beneficiaries of its work, the Board should consider how best to conduct its business in the spirit of the reforms being made in UNIDO.

2. The United Kingdom welcomed the Montreal Protocol and Global Environment Facility (GEF) aspects of the Organization's work, which were core areas on which UNIDO should continue to build. There seemed to be real donor demand for such activities. Adequate resources, including staff resources, should be made available to facilitate those activities.

3. **Mr. McGAURAN** (Ireland) said that, as a country that had benefited from industrial development in the past, Ireland was firmly committed to the promotion of industrial development in the developing countries. All Member States, as partners of UNIDO, had a responsibility to ensure that the Organization had the resources it needed to function properly, both in Vienna and in the field, and must therefore pay their assessed contributions in full and on time. Ireland had made voluntary contributions to the Industrial Development Fund (IDF) in 1997 and 1999 for the Organization's activities in Ethiopia. It would contribute another 127,000 euros in the year 2000 for UNIDO to use as it saw fit, with the sole stipulation that the funds should be directed to an integrated programme in one of the six sub-Saharan African countries which Ireland had identified as priorities in its official development cooperation programme. It looked forward to increased cooperation in the field with UNIDO, which had a significant role to play in the area of sustainable industrial development and poverty eradication.

4. **Mr. FREEMAN** (United Kingdom), turning to the question of the implementation of the integrated programmes *(agenda item 6), said that UNIDO was at a* crucial stage in its evolution. While management reforms at Headquarters were nearing completion and devolution to the field through the regional offices was proceeding, the next stage of reform was no less crucial than the fi fine-tuning the new programmes and their number in light of recipient countries' perceived needs, do countries' ability and willingness to pay and, most imp tantly, the impact of the programmes.

5. UNIDO was an organization of limited size a resources, which limited the number of tasks it could a should take on at the current time. It had important w to do in areas such as the Montreal Protocol and GE It should continue to focus on its strengths. While integrated programmes should continue to reflect priorities of the Business Plan, adjustments might needed in the light of experience in the field. UNI should prioritize its integrated programmes, taking i account the financial support offered by Member States specific programmes. The main criterion should poverty alleviation, meaning that the poorest countries a the largest groups of poor people should be given highest priority. In the next phase of reform, choi as to whether or not to support individual integra programmes should be made in the field. UNIDO m demonstrate that its new programmes were valu by recipient countries; their willingness to co-finance th programmes was important in that regard. programmes must also meet international developm targets and contribute directly to poverty alleviation. Th impact must be carefully assessed; that process mig indicate the desirability of narrowing down Organization's range of activities to focus on the interventions in the field that were most effective, had greatest impact on poverty alleviation and attracted most demand from donors and recipients.

6. **Mr. LOSHCHININ** (Russian Federation) said th the statements made in the debate had contributed so important ideas that should be reflected in the documen prepared by the Secretariat. He agreed with what had be said at the preceding meeting regarding the importance qualitative assessment of programmes and the need develop partnerships with the private sector. The mob lization of financial resources for the integrated techni cooperation programmes should involve donor a recipient countries, the private sector and multilater financial institutions, as well as regional resources. Furth efforts should be made to implement the resolution of t General Conference on the region of Europe and the new independent States (GC.8/Res.6), since investment in industrial development of those countries would enab them to become donors themselves in the relatively sh term. UNIDO must make efforts to broaden its donor ba

7. With respect to suggestions that some of t *integrated programmes should be terminated for lack* sufficient funds, a very cautious and balanced approa must be taken. The process of developing integrat programmes was, in itself, a useful exercise that involv

many different local, national and regional bodies. Regardless of their level of funding, those programmes affected economic and development processes at those levels. The programmes must be flexible and open to improvement at all stages of their implementation. No integrated programme should be terminated without the full consent of the recipient country.

8. As had been rightly said, it was difficult to improve the Organization's effectiveness when one third of its membership had forfeited the right to vote. He would welcome proposals on ways of rectifying that situation. Between May 1999 and May 2000, the Russian Federation had contributed $7 million to the UNIDO budget, it had also decided to allow its share of unutilized balances to be used to finance integrated programmes, and was pleased that a number of other Member States had done likewise. He trusted that the recommendations of the open-ended discussion group on the timely payment of assessed contributions would be duly implemented. One country's arrears amounted to $61 million; the correction of that situation would represent a significant step forward in increasing support for the integrated programmes.

9. **Mr. KERMANSHAH** (Islamic Republic of Iran) said that his delegation welcomed the preparation and implementation of integrated programmes as a cornerstone of the activities of UNIDO. Since the Organization's technical cooperation activities depended to a large extent on voluntary contributions, which were scarce at the current time, Member States should seek new sources of funding for technical cooperation, particularly for integrated programmes. His Government was seeking bilateral and multilateral sources of funding for the programme for environmentally sustainable industrial development prepared for his country; however, it would make every effort to mobilize national sources of funding for certain high-priority projects.

10. **Mr. HUSEYNOV** (Observer for Azerbaijan) said that the launching of integrated technical cooperation programmes based on service modules was a means of responding directly and efficiently to the individual needs of Member States, including those with economies in transition. His Government had decided to sign a memorandum of understanding with UNIDO on cooperation in the field of industrial development, with a view to developing a dynamic market economy. The priority areas of cooperation would be the environment and energy, investment and technology promotion, private-sector enterprise development, quality and standardization. Those priorities would form the basis for the integrated programme for Azerbaijan. He appreciated the expertise provided by UNIDO for the preparation of the memorandum of understanding. Considering the increasing role of UNIDO in the new architecture of the international economic system, more attention should be paid to the principle of wider geographical representation of Member States within the Secretariat. The Organization's recent reforms should encourage donors to increase their voluntary contributions. In addition, UNIDO should step up its interaction with international financial institutions in order to mobilize funds.

11. **Mr. WOHLK** (Observer for Denmark) said that, following the reform of UNIDO in accordance with the Business Plan, the time had come to consider the direction which donor and recipient countries wished UNIDO to take in the coming years. The discussion should address finances, strategies and priorities. However, it should not be conducted solely in Vienna; capitals should be involved as well, to ensure that the discussion was realistic.

12. In 1998 and 1999, the Danish Government had made voluntary contributions to the special-purpose segment of the IDF amounting to over $2 million each year. Those funds were currently being spent on a number of integrated programmes developed for African countries. Denmark planned to contribute a similar amount in the current year, and would consider making further contributions to the IDF in future years depending, among other things, on the results achieved. Discussions were under way with the UNIDO Secretariat on possible cooperation in relation to GEF activities; such cooperation could begin as early as the current year. He looked forward to monitoring and discussing, with UNIDO and the recipient countries, the progress made in the implementation of technical cooperation activities. He had been encouraged by the commitments made by a number of donor countries at the current session, and hoped that many others would find the means to contribute to the IDF, since voluntary contributions were vital to the success of the Organization's programmes.

13. **Mr. FREEMAN** (United Kingdom), turning to financial issues, said that in audit and budgetary terms UNIDO was in reasonable shape, although, compared to 1998 and 1999, the rate of collection of assessed contributions gave cause for concern. He wished to make it clear that the United Kingdom would not in future support any further use of unutilized balances, and considered that an exceptional measure.

14. With regard to the Organization's financial situation, he had been heartened by the positive approach taken by a number of delegations and by the commitment they had given to pay their assessed contributions. His Government, which, generally speaking, was favourably disposed to making voluntary contributions to UNIDO, would have difficulty in justifying its support for an Organization whose Members failed to support it by paying their assessed contributions.

15. On the question of prioritization, the Organization was faced with a choice between allowing the selection of programmes to be determined simply by the voluntary resources made available, on the one hand, or, on the other, determining rationally where the priorities should

lie based on the impact of individual programmes in the field.

16. **The PRESIDENT** said that the Organization should see what it could achieve through the rational targeting of resources. It was for its Members to agree on the general thrust of the Organization's activities and to indicate to the Director-General what could and should be done. There was room for optimism, and the links between GEF and UNIDO were one example of what had already been achieved. The contributions of Member States would be proof of their faith in the Organization.

17. **Mr. FIGUEROA** (Mexico) said that the question of prioritization was an important one. The Organization and its donors must jointly determine priorities, applying broadly accepted criteria. If everything depended on what each donor country decided on the basis of its own priorities and interests, the multilateral approach to technical cooperation would lose its meaning. However, caution was needed in trying to judge the relative quality of the approved country programmes. The recent informal discussions between the Secretariat and Member States on the impact and financing of integrated programmes had been extremely useful and should be continued on an ad hoc basis.

18. **Mr. FREEMAN** (United Kingdom) said that he did not quite understand the rationale for the large number of so-called "stand-alone" projects, to which a considerable proportion of the resources available were allotted.

19. **Mr. MAGARIÑOS** (Director-General) said that, even though integrated programmes were the core of technical cooperation activities, it had been felt important that the Organization should preserve a certain amount of flexibility to enable so-called "stand-alone" projects based on the service modules to be implemented. However, he had decided in June 1999 to suspend the approval of new stand-alone projects to give the Secretariat an opportunity to review with Member States the impact and value of such projects. The resources allocated to approved stand-alone projects based on service modules amounted to $35 million. Stand-alone projects were part of the Organization's technical cooperation activities and were especially useful in countries that had no integrated programmes. The formulation of such programmes, however, required personnel and financial resources and they should be included in the debate on the characteristics of the project portfolio.

20. **Mr. FREEMAN** (United Kingdom) said that it appeared as though the slack in the Organization was being taken up by stand-alone projects. Such projects, however, involved the disposition of quite large sums of money which, if allocated to priority programmes, could have a significant impact.

21. **Mr. MAGARIÑOS** (Director-General) said that it was for that reason that the management of the Organization had decided to suspend approval of additional stand-alone projects to see whether more resources could be used for the implementation of integrated programmes. The idea of stand-alone projects as a form of technical cooperation was not always fully understood. In his view, the Organization could only benefit from a detailed examination of stand-alone projects and their impact.

22. **Mr. MOHANTY** (Managing Director, Field Operations and Administration Division), replying to comments made during the debate, said that the Secretariat had taken note of the views of delegations and their emphasis on the need for prioritization in the light of the limited funds available. The Secretariat had already begun trying to prioritize projects on the basis of impact in the field. It was also introducing new ways of monitoring the implementation of integrated programmes.

23. Regarding the comments made by the delegation of Belarus on the approach to Eastern Europe and the newly independent States, he said that the fact that the Organization had not accomplished all of its objectives for that region did not mean that it had no strategy for the region. There was a very active programme of technical cooperation in the Russian Federation and individual projects for the region were formulated in the regional office in Turkey. In addition, a regional forum on Eastern Europe had been held in Vienna and another was proposed for Budapest to discuss the approach to be taken to the region. A number of internal reorganization measures had also been taken within the Secretariat to develop a more positive and proactive strategy for the region.

24. The proposed project on infrastructure to support innovative enterprises in Belarus was currently under consideration by the Secretariat. Given the scarcity of resources, emphasis was being placed on integrated projects, but stand-alone projects could sometimes be expanded at a later stage into integrated projects. The Secretariat was examining the technical characteristics of the project to see whether its conversion to an integrated programme would be feasible.

25. **Ms. ZVEREVA** (Belarus) expressed appreciation for the work which the Secretariat had done thus far on the project and was confident that solutions would be found to any problems that might arise so that technical cooperation

between the Organization and Belarus in that field could go forward.

IMPLEMENTATION OF RESOLUTION GC.8/RES.3 ON SUSTAINABLE INDUSTRIAL DEVELOPMENT (IDB.22/9)

26. **The PRESIDENT** drew attention to the report in document IDB.22/9. No delegation had asked for the floor to make a general statement on the item.

ESTABLISHMENT OF AN INTERNATIONAL CENTRE FOR SUSTAINABLE INDUSTRIAL DEVELOPMENT (IDB.22/10 and Add.1)

27. **Mr. POOLOKASINGHAM** (Sri Lanka) said that his Government supported the Slovenian Government's initiative in favour of establishing an international centre for sustainable industrial development. It endorsed the draft decision on that subject which the Group of 77 had circulated informally.

28. **Mr. FREEMAN** (United Kingdom) said that Slovenia's proposal was a new one and his Government had not had time to consider its implications. The proposal raised a number of questions and he took it that the Secretariat would make an assessment of the extent to which the kinds of studies to be undertaken by the proposed centre were already being carried out by existing institutions, such as universities and other international bodies. Other questions needing clarification concerned the needs that would be met, the scope of the centre's activities, how funding would be generated, whether the centre would be funded entirely from voluntary sources, and the extent to which UNIDO resources would be involved. He hoped that the Secretariat and the supporters of the proposal could provide answers to those questions.

ADMINISTRATIVE MATTERS (*continued*) (IDB.22/5, IDB.22/6 and Add.1)

29. **Mr. POOLOKASINGHAM** (Sri Lanka) said that his Government upheld the principle of equitable geographical distribution in the United Nations and other multilateral organizations, and supported the views that had been expressed on the need to maintain geographical balance in UNIDO's personnel policy and gender balance at all levels of the Secretariat, in accordance with the relevant articles of the Constitution. In that connection, his Government appreciated the Secretariat's efforts to increase the proportion of women in the Secretariat, especially at the decision-making level.

30. **Mr. LOSCHININ** (Russian Federation) said that his delegation welcomed the increased professionalism and competence that had been shown by the staff of UNIDO in recent years and the efforts that were being made to improve gender balance in the Secretariat.

31. The amendment to staff rule 103.10 concerning fixed-term appointments raised some concerns that a new element was being introduced into the personnel policy of UNIDO. It might be better for the rule to provide that contracts could be extended beyond seven years only in exceptional circumstances. That approach would ensure a constant influx of fresh talent and at the same time provide the necessary security of employment to attract highly qualified specialists.

32. **Mr. ABE** (Japan) said that the practice of seeking the comments of the Joint Inspection Unit on the functioning of UNIDO should be continued in order to promote dialogue and strengthen cooperation between the two bodies. While his delegation understood the need for term limits for the staff of UNIDO, it was also important to retain in-house the valuable professional expertise which the staff represented. Management should have the necessary flexibility to retain the services of certain staff members beyond seven years and the relevant rules should provide a reasonable balance.

33. **Mr. MAGARIÑOS** (Director-General) said that, when he had assumed office, the Organization's policy regarding the extension of contracts had been discretionary and not always transparent. He had sought to correct the situation by instituting a transparent policy under which all UNIDO officials would be eligible for two 3-year contracts followed by a further 1-year extension. It was felt that after that period, the Organization should have the opportunity to decide whether or not to continue the contractual relationship with the staff member based on such criteria as the level of satisfaction of the staff member's supervisor and whether the staff member's expertise still matched the Organization's changing priorities. The Organization should have both the authority to extend the contracts of some officials for an indefinite period and the freedom to terminate the contracts of others at no cost to the Organization. What was important was to maintain stable and transparent rules of the game, especially given the many changes that had already taken place in the Organization.

34. **Mr. LOSCHININ** (Russian Federation) said that his delegation was not suggesting a change in the rule; its concern was that staff should be aware that contracts would be extended beyond seven years only in exceptional circumstances. That would both promote greater stability and make staff more aware of the need for the continuous upgrading of their skills.

The meeting rose at 12.05 p.m.